

Nightline

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Khashoggi and Ghorbanifer

TED KOPPEL: Good evening, I'm Ted Koppel and this is Nightline.

Adnan Khashoggi, Saudi Arabian financier, who's been called the richest man in the world. Manucher Ghorbanifar, mysterious Iranian businessman, never before interviewed on American television. They spoke exclusively today to Barbara Walters. We'll hear from them tonight.

In journalism, as in matters of law, there is one question in particular that helps put different versions of a complex story into perspective, who gains? It is important, in other words, not only to listen to what is being said but to ask yourself what advantage the teller of the story hopes to achieve by going public.

Many of you, for example, watched earlier this evening as Barbara Walters conducted an extraordinary pair of interviews with two men who appear to have played pivotal roles in first re-establishing contact between the governments of the United States and Iran and then

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in helping to facilitate the purchase of U.S. arms by Iran from the United States.

Manucher Ghorbanifar, identified as the head of European Intelligence for the Prime Minister of Iran, openly signaled tonight in his interview with Barbara that an improvement of relations between his country and the United States is still achievable, and that those American hostages in Lebanon could still be released as part of that progress.

Adnan Khashoggi, the Saudi businessman and middleman to the world, neatly excludes his own country and Egypt and Jordan from having had any interest in participating in this process, but describes instead how he became go-between in the arms sale arrangement from Israel and the United States to Iran.

Joining me now, live from Monte Carlo, my colleague, Barbara Walters.

Barbara, before we get to a little bit of the background of how you got to where you were with Adnan Khashoggi, give me your interpretation of why you think it was that Khashoggi was willing to talk to you and that Ghorbanifar was willing to talk to you and why it was that they said what they did.

MS. BARBARA WALTERS: Well, I think they were both willing to talk because there have been a great many things printed about each of them that they feel was either inaccurate or totally untrue, and that this was the time that they were going to tell it their way or the way they say it actually happened.

It was Khashoggi who set up the interview with me for Ghorbanifar and I didn't know until I got here to Monte Carlo that it was actually going to take place.

Ghorbanifar, for example, said that there were reports in the papers that he, in 1984, had tried to exchange hostages for money and with an ex-CIA agent named Theodore Shackley.

Ghorbanifar says that's a lie, that Shackley came to him and aid, "Look, if you can help me with the hostages, I could get a bigger job in the CIA. I could even get Bill Casey's job." He's a liar, Ghorbanifar told me.

So, whether it was something like that, clearing that up or trying to finally say, "Hey, this is the way it is," they felt this was the time to tell their story.

MR. KOPPEL: All right.

Now, for example, just a moment ago on the headlines, we heard Ghorbanifar say to you, in line with what a great many other people have been saying over the past few weeks, "You guys", that is you, Barbara Walters, you Ted Koppel and all the other guys in the media, "you screwed it up. This deal would have come off if it hadn't been for you in the media." Then what do they do? They turn around and they talk to one of the biggest media people in the world, Barbara Walters, and they spill their story. Why?

MS. WALTERS: Yes, but you know, Ted, Patrick Buchanan blames the press and then comes on and does interviews. You can say, on the one hand, they're self-serving, but anyone who does an interview, to a degree, is trying to present his case. He feels that the media blew everything up, that the President was on the right track.

Both men are strongly behind what the President did and they feel that it was a small amount of arms. Really, \$35 million, Ghorbanifar says that's a drop in the bucket when you think of the kind of arms that people buy and sell and it's just too bad that something that was right and good for America, good for Iran, good for them, became messed up in this way.

MR. KOPPEL: All right.

Before we listen now to a segment of your interview, first of all, with Adnan Khashoggi, give me a little bit of background. You got to where you are right now,

Monte Carlo, how and how was this deal set up? Give us a little bit of flavor, will you?

MS. WALTERS: Okay, fine.

I had met Adnan Khashoggi only once previously. And then just a short while ago he telephoned me and said, "Hello, I'm in this country, I'd like to talk to you." We met and talked. He said that this was not the time that he thought he'd like to do an interview. I said, "If you ever decide to do one, will you do it with me?" He said, "If I do one, I will only do it with you." There the matter rested for a bit.

Then yesterday, I got a phone call and he said, "I am ready to pick you up. Not only that, if you would like to talk to Ghorbanifar, I can arrange that. I have talked to him and told him that he should come forth and talk to you."

He picked us up at 3:00 in the morning, just yesterday morning, I guess. I'm losing track of time. Picked us up with our crew, flew us to Nice, helicoptered us to Monte Carlo and it wasn't until I walked into Khashoggi's apartment and was introduced to Ghorbanifar that I even knew the interview was going to take place.

By the way, Ted, you said a moment ago that Khashoggi neatly excluded his own government and Egypt and Jordan. Khashoggi says that he told his government that it was possible to affect certain relations with Iran and they didn't want to. They thought it was too sensitive for them to be involved as Arab countries and that's when he said, "Well, maybe America."

MR. KOPPEL: All right.

You have taken us precisely to where we want to be because that is exactly the point at which we begin with your interview with the Saudi oil billionaire, Mr. Khashoggi. Let's go to it.

MR. KHASHOGGI: I asked him if he has any objection to deal with the Americans and maybe the Americans, as

they are the friends of our friends, will handle the matter for him. He was afraid to deal with the Americans. He said if anything gets out and the information is not secure, the CIA. I said, "We don't have to deal with the CIA. We deal directly with the President." "Ah, very good," he said. That's when I wrote my memo to McFarlane. At the same time, I gave Peres a copy of the memo.

MS. WALTERS: Why did you involve Shimon Peres and the Israelis?

MR. KHASHOGGI: Well, I thought the Americans will not know how to investigate this guy properly because their channels have been cut. Maybe Israeli Intelligence can investigate and confirm to the Americans --

MS. WALTERS: That he's for real.

MR. KHASHOGGI: That he's for real.

MS. WALTERS: Yes.

MR. KHASHOGGI: And that's what's happened.

MS. WALTERS: Then you set up a meeting between Israelis and Ghorbanifar and other Iranians?

MR. KHASHOGGI: Then that famous meeting in Hamburg --

MS. WALTERS: In late July, '85?

MR. KHASHOGGI: Yes, in which they met some of the leaders of what they called the structure of the Iranian government.

MS. WALTERS: They came from Iran to this meeting?

MR. KHASHOGGI: They came from Iran.

MS. WALTERS: And this was with David Kimche, the head of the Foreign Office of Israel and two Israeli arms dealers.

MR. KHASHOGGI: That's right. No, no, not the arms dealers. There was Mr. Shumer, who was advisor to Prime Minister Peres and there were two other fellows who were, I think, from McFarlane's office. I don't know them, but they were coming as Americans under the umbrella of the Americans. Really, Kimche came under the umbrella of the Americans.

MS. WALTERS: And the Iranians at that time thought everybody there was American.

MR. KHASHOGGI: Was American.

MS. WALTERS: They didn't know about Israelis?

MR. KHASHOGGI: No.

MS. WALTERS: No arms were mentioned now, no hostages yet?

MR. KHASHOGGI: No hostages.

MS. WALTERS: When did arms get into the whole scene?

MR. KHASHOGGI: This is when the Israelis and the Americans started talking. This was a bonus.

MS. WALTERS: Give them arms?

MR. KHASHOGGI: No, no, give us hostages to prove their influence. If they can deliver the hostages, then we'll open the door. Not for arms still.

The Iranians then said, "Hey, if you want to test us, we want to test you, too. Send us 500 TOWs." Nothing, you know. In the armament field, it's a small shipment. Everybody was testing the other.

MS. WALTERS: Whose idea was it to release the hostages?

MR. KHASHOGGI: I think it was as of a discussion between McFarlane and Kimche.

MS. WALTERS: Okay. The first thing was, "Gee, maybe they'll release our hostages," and the Iranians said, "Okay, you show your faith and send us these arms." That was the 500 tanks.

MR. KHASHOGGI: And this is how it was taken, I'm sure, to the level of the President and the President approved it.

MS. WALTERS: How do you know the President approved it?

MR. KHASHOGGI: Because the Israelis were talking that they would not move unless the President approves it.

MS. WALTERS: This was before the first shipment in August?

MR. KHASHOGGI: Right. Then my friend came back, the Iranian man, and said --

MS. WALTERS: Mr. Ghorbanifar.

MR. KHASHOGGI: Mr. Ghorbanifar said to me that the Iranians will not trust the Americans to give money to them because they're holding some of their money. The Americans will not trust to send the equipment. So, he needed a bridge financed. I said, "How much you talking about?" He said, "\$1 million." I said, "For how long?" He said, "Two weeks." I said, "All right." I gave it to him. We put it in a numbered account according to his instruction and he gave me in exchange a check from his personal account with the Credit Suisse to cover that.

MS. WALTERS: Was there also an additional \$4 million that you put up?

MR. KHASHOGGI: The next shipment was \$4 million.

MS. WALTERS: You got paid back?

MR. KHASHOGGI: I got paid back.

MS. WALTERS: No commission?

MR. KHASHOGGI: No commission.

MS. WALTERS: No interest?

MR. KHASHOGGI: No interest.

MS. WALTERS: No profit?

MR. KHASHOGGI: I'm a businessman, so I have also an eye on the future. If peace between Iraq and Iran does come, rebuilding Iraq and Iran is a big thing. So, I can see the profit later.

MS. WALTERS: It's more to you then than a little commission now.

MR. KHASHOGGI: That's right.

MS. WALTERS: Ah. Now, the monies that you were putting out and receiving, you were told to put in an account known as Lake Resources?

MR. KHASHOGGI: Right.

MS. WALTERS: This was after the first shipment?

MR. KHASHOGGI: That's on the \$10 million and the \$15 million.

MS. WALTERS: The \$15 -- went into an account called Lake Resources?

MR. KHASHOGGI: Right.

MS. WALTERS: Who told you to put it in that account?

MR. KHASHOGGI: Mr. Ghorbanifar.

MS. WALTERS: Did you yourself ever speak with Lieutenant Colonel Oliver North?

MR. KHASHOGGI: Never.

MS. WALTERS: Did you have any dealings with him? Your dealings were all with Mr. Ghorbanifar?

MR. KHASHOGGI: Right.

MS. WALTERS: To your knowledge, who had access to that Lake Resources account?

MR. KHASHOGGI: We think it was controlled by North.

MS. WALTERS: But do you know that for a fact?

MR. KHASHOGGI: Well, because he's the coordinator.

MS. WALTERS: Mr. Ghorbanifar told you that Lieutenant Colonel North had access to this account?

MR. KHASHOGGI: That's right.

MR. KOPPEL: When we come back, Barbara Walters will rejoin us from Monte Carlo, and we'll talk to Ron Kessler, the author of a just published biography of Adnan Khashoggi titled The Richest Man in the World.

(Commercial)

MR. KOPPEL: Joining us again now from Monte Carlo, Barbara Walters and with us in our Washington Bureau, Reporter Ron Kessler, author of a new biography of Adnan Khashoggi and currently on leave from The Washington Post.

What fascinates me most, Ron, is that, to the best of my knowledge, Adnan Khashoggi is a man who is very, very close, is he not, to the royal family of Saudi Arabia?

MR. RON KESSLER: That's right. That's the most basic fact about Adnan Khashoggi. Ever since he started his career 25 years ago, he's been an unofficial emissary of the king. At the same time, he would deny that he has any connection and the king would disown him and they keep putting out rumors that he's no longer in

favor, he hasn't seen the king in years. The most basic facts in this situation is that, of course, he had the backing of the king before he did anything.

MR. KOPPEL: All right.

So, he comes on with Barbara Walters tonight and one of the things he makes sure we understand is that he went to the government of Saudi Arabia as a good loyal Saudi but the government of Saudi Arabia said, "Uh-uh, we want nothing to do with this deal," which makes you conclude what?

MR. KESSLER: Which makes me conclude that Adnan is not telling the whole story.

Of course, I have sources, whom I developed during the reporting for this book, who tell me quite the opposite, that in fact, not only was this supported by Saudi Arabia, but that they actually contributed some of the money, which makes sense. They wanted to have friends. They want to have friends all over the world and if they could do a favor for the United States, which is what they thought they were doing, and maybe hedge their bets with Iran in case Iran wins, then they're much better off. They've got some insurance, which is what Adnan was trying to do in this case.

MR. KOPPEL: Barbara, I would --

MS. WALTERS: Ted?

MR. KOPPEL: Go ahead, if you just want to jump in.

MS. WALTERS: Well, what I was going to say listening to that, is that Khashoggi did not say to me, "Oh, I never see, I have nothing to do with the royal family." He did not deny that at all, but he did say that under these circumstances, he was indeed, and we're talking about these transactions between the United States and Iran, that he was indeed acting on his own.

He also did say that the government, his government,

did not give monies. But he has never denied that he has this relationship.

MR. KOPPEL: No, no.

The point I'm making, Barbara, is -- and let me put it to you in the form of a question. Dealing with Iran to the detriment of Iraq, which after all is the Arab country, Iran is not an Arab country, that would make Arab countries look very bad. It would make Saudi Arabia look bad, it would make Egypt look bad, it would make Jordan look bad.

So, for Adnan Khashoggi to tell you, "Now, the first thing you've got to understand is I went to all these people and they wanted nothing to do with it," that kind of puts them in the clear, doesn't it? But it doesn't mean that that's really what happened.

MS. WALTERS: Perhaps not.

On the other hand, he says, "Listen, it is to all of our benefit to have stability in that part of the world." He felt that if the moderates in Iran were able to some time take power, and he does say that they are all involved with Khomeini now, it isn't as if they were outside factions, that if the moderates came in that the Iran/Iraq War would perhaps be ended. It would give stability to that area. What he says that he's most concerned about is that that part of the country would go into the Soviet orbit and that would be bad for everyone.

MR. KOPPEL: Now, one of those two men, and I forget which it was, whether it was Khashoggi or Ghorbanifar, told you that Ghorbanifar was indeed acting with Khomeini's knowledge and at least tacit approval, right?

MS. WALTERS: It is interesting because Khashoggi said that it was his understanding that Khomeini did know about it. He said that he'd heard that Khomeini had said, "I deal with the devil for my own objective."

However, when I talked to Ghorbanifar, he said that the Ayatollah did not know about it.

But do remember that Ghorbanifar is in a different position and that there may be things that he doesn't feel he's able to say. He was very uncomfortable during this interview. He was very much on guard. So, my tendency would be to believe what Khashoggi said.

MR. KOPPEL: All right.

Ron Kessler, your tendencies -- you've spent how much time now chasing Khashoggi around the world?

MR. KESSLER: I spent a year and a half working on this. I interviewed him, I interviewed almost all his associates. I sort of camped out with him for two weeks.

At the same time I avoided being corrupted, which is very difficult to do when you're dealing with Khashoggi. In fact, I was offered some money to omit material from the book about his use of call girls and his payoffs.

But I feel I have a good grasp of him. I've also gotten up to date on the situation with some of my sources.

MR. KOPPEL: All right.

So, give me now what your instincts are as to what he was after here?

MR. KESSLER: Well, first of all, you don't have to know anything about Khashoggi to question this story that he tells. He's saying that went to Israel because they could check this guy out, they had good Intelligence. Well, Khashoggi has good Intelligence too, he can check out people.

MS. WALTERS: No, no, no.

What he said was he didn't think the United States would believe him, but he did feel that they would believe Israeli Intelligence.

MR. KESSLER: Okay.

Well, that makes a little more sense. He's saying that nobody made any money on this. He's saying that he financed it, he put up his own money. This is not the way this guy became the richest man in the world.

MR. KOPPEL: Now, hold on a second. In effect what he says is, "I was kind of operating on a lost leader basis. I put out a million now, I put out another \$4 million, but if this thing really develops, we're talking big bucks."

MR. KESSLER: Yes, but you see, when Iran wants arms, they want arms and they want to pay a lot of money for it. There's no need for anybody to put up money like an investment like they were buying a house.

If somebody wants arms, they're going to pay for it which is what Iran was doing. This idea that Khashoggi personally financed it is really foolishness. It's not the way he does his arms deals.

MS. WALTERS: No, he said he got the money back. He got the money back. He said he was the middle man. He doesn't say, "I financed it all myself." He says, "I got the money back but I didn't pay commission." "Thirty five million, says he and Ghorbanifar, "that's kind of small potatoes when you think of what it could be."

MR. KESSLER: Yes, he expected to make hundreds of millions of dollars in commissions on this.

Let me just tell you very quickly a similar incident in his career where the story that he told to the press and to me in the interview that he gave to me totally differed from the facts. This was back in 1975. It was a very important incident in his life.

He had a contract with Northrop Corporation to sell arms from Northrop to Saudi Arabia. This was a very large contract that almost was worth close to \$1 billion. In the course of working on this contract, he claimed to Northrop officials that some generals in Saudi Arabia needed to be paid off. Therefore, Northrop has to give Khashoggi an extra \$400,000 above the usual commission which was already quite ample.

Northrop eventually went along with this and gave Khashoggi the extra \$400,000 even though it didn't quite make sense that some generals in Saudi Arabia could really hold this up when Khashoggi, actually, was very close to Prince Sultan who was the Defense Minister, and the king.

But anyway, they paid the money. Later this came out and there was a lot of press about it, just the way this thing has come out.

So, what does Khashoggi do? Well, he calls the press in and he seems very open. He tells a wonderful tale, he's very charming, and he says, "Well, actually, it was Northrop's idea to bribe these generals, it wasn't my idea."

Of course, Americans feel that Saudis need to be bribed, so they came up with the idea. I went along with it, but I didn't want to embarrass the generals and Northrop, so I pocketed the money.

MR. KOPPEL: Ron, we've got to bring this to a close.

MR. KESSLER: Well, anyway, the long and short of it is that I have a transcript of Khashoggi demanding on the telephone to Northrop officials that they pay this bribe. That is a fact in the case and has nothing to do with the story that Khashoggi told.

MR. KOPPEL: All right.

Barbara, very quickly, what do your instincts tell you about Adnan Khashoggi?

MS. WALTERS: Yes, I have a funny feeling as I talk that I'm coming out as a defender of the faith or a defender of Adnan Khashoggi or Ghorbanifar. You ask them the questions and you get the answers. I can't tell you if he's telling the truth. What they said does seem to match up with an awful lot of the reports and time will tell how truthful it was.

MR. KOPPEL: Okay. Barbara, thank you.

When we come back we will hear some of Barbara Walters interview with the other key player here, the Iranian middleman in the deal, Manucher Ghorbanifar.

(Commercial)

MR. KOPPEL: We have yet to hear the other half of this dual interview that Barbara Walters recorded. Because that is going to run about another five minutes or so and we're then going to hear from our National Security correspondent, I would like to warn our affiliates that we're going to be going a couple of minutes over tonight.

We have already heard Adnan Khashoggi's version of how he got involved in the Iran arms sale. Now, here's the story that Iranian middleman, Manucher Ghorbanifar told Barbara Walters about his dealing with U.S. representatives.

MR. MANUCHER GHORBANIFAR: When we had the dialogue started and I was pressing and demanding for arms for you --

MS. WALTERS: Who were you pressing?

MR. GHORBANIFAR: The American people.

MS. WALTERS: Who?

MR. GHORBANIFAR: Through Mr. Khashoggi and Mr. Ledine I met.

MS. WALTERS: Mr. Michael Ledine.

MR. GHORBANIFAR: Yes, and Mr. McFarlane and Colonel North, everybody.

MS. WALTERS: You were asking for arms?

MR. GHORBANIFAR: Yes.

MS. WALTERS: Who told you to ask for arms?

MR. GHORBANIFAR: I should say every single Iranian anywhere in the world should ask for arms for Iran because we are in a bad war.

MS. WALTERS: I see. So, first it was --

MR. GHORBANIFAR: We must defend our land, we must defend our country, our history.

MS. WALTERS: First it was that the United States open the doors, get closer to Iran and then you said, "Okay --"

MR. GHORBANIFAR: That's true.

MS. WALTERS: "-- send us arms."

MR. GHORBANIFAR: That's true.

MS. WALTERS: Okay. Then how did the hostages come up?

MR. GHORBANIFAR: It was never and ever a deal with like this that, "Give us arms, we give you hostages," because no one has the hostages. It has nothing to do with Iranian authorities. They are not hostage taker. They don't know what is the story of the hostages.

When this came up, they told me, "Okay. We give you the arms. Could you also e4the same time help us for a better understanding that you can help us in a way that hostages will be released from Lebanon."

MS. WALTERS: Did you go to Lebanon?

MR. GHORBANIFAR: Yes, I have been in Lebanon.

MS. WALTERS: Were you trying to get Mr. William Buckley out who was the head of the CIA, the director of the CIA in Beirut?

MR. GHORBANIFAR: Yes.

MS. WALTERS: But you couldn't.

MR. GHORBANIFAR: No, we couldn't. Unfortunately, we couldn't.

MS. WALTERS: Because he was killed.

MR. GHORBANIFAR: Yes.

MS. WALTERS: How did you get Benjamin Weir out? Who did you talk to. Can you tell us any of this?

MR. GHORBANIFAR: For the time being, because there are some more hostages in that country, it's better we don't discuss it.

MS. WALTERS: But it was your initiative --

MR. GHORBANIFAR: Yes.

MS. WALTERS: Not the Iranian initiative?

MR. GHORBANIFAR: No, it was mine.

MS. WALTERS: Okay. And the idea of arms, those discussions were with Mr. McFarlane?

MR. GHORBANIFAR: Yes.

MS. WALTERS: Did you feel when you had the discussion about arms that the President of the United States knew about these discussions?

MR. GHORBANIFAR: Naturally, the high authorities should know about the shipment of arms.

MS. WALTERS: Were you ever in any way told that it was anybody above Mr. McFarlane?

MR. GHORBANIFAR: No.

MS. WALTERS: No. How much money was involved in the payments?

MR. GHORBANIFAR: You mean in the last shipment?

MS. WALTERS: In all.

MR. GHORBANIFAR: The total deal was so small. As the President said, it's a very small deal. It's not so big as it is exaggerated in the press. It was totally around \$35 million altogether.

MS. WALTERS: Who said the price, the \$35 million?

MR. GHORBANIFAR: This price was coming to us from the American because we were just --

MS. WALTERS: But I mean who said it's going to cost \$35 million, the Americans said it's going to cost you \$35 million?

MR. GHORBANIFAR: Of course.

MS. WALTERS: I see.

MR. GHORBANIFAR: There is nobody -- Mr. Khashoggi didn't make a penny on this deal. I didn't make a penny. Nobody made a profit in this. We did -- just a start for a bigger future. We were not looking to take five percent or ten percent of such a small deal. Maybe we had in mind to make a deal of \$2 billion a day.

MS. WALTERS: When Iran and Iraq were at peace.

MR. GHORBANIFAR: Yes.

MS. WALTERS: When Iran and Iraq were at peace, you though as businessmen you'd make a lot of money?

MR. GHORBANIFAR: Yes, that's what the -- idea.

MS. WALTERS: And now, out of \$35 million, neither one of you made any money at all, even though you're good businessmen?

MR. GHORBANIFAR: Nobody made money -- that we still, we owe him \$10 million.

MS. WALTERS: You owe Mr. Khashoggi \$10 million?

MR. GHORBANIFAR: Yes, because we still have not delivered what we were supposed to deliver to my country.

MS. WALTERS: Now this money was put where?

MR. GHORBANIFAR: In the company called Lake Resources in Geneva.

MS. WALTERS: Who told you to put the money in it?

MR. GHORBANIFAR: The American.

MS. WALTERS: Who in America?

MR. GHORBANIFAR: Oh, our contact?

MS. WALTERS: Who were the contacts? Can you tell me? Lieutenant Colonel North?

MR. GHORBANIFAR: Yes.

MS. WALTERS: General Secord?

MR. GHORBANIFAR: Yes.

MS. WALTERS: Who told you to put the money in Lake Resources?

MR. GHORBANIFAR: Right.

MS. WALTERS: Anyone else?

MR. GHORBANIFAR: No.

MS. WALTERS: Well, when you talked to Lieutenant Colonel North, what did he tell you?

MR. GHORBANIFAR: What about?

MS. WALTERS: About these shipments? What did he say to you? He said, "Mr. Ghorbanifar, I want you to just take this money and put this in this account?" Or did he say --

MR. GHORBANIFAR: No. First we put up our request of what we need, and they go, they study and they come back and they give us the offer.

MS. WALTERS: He was the one you talked to all the time?

MR. GHORBANIFAR: Most of the time.

MS. WALTERS: Did you feel he was acting on his own?

MR. GHORBANIFAR: Yes, and he's a brilliant man.

MS. WALTERS: You didn't think he was acting with anyone above him?

MR. GHORBANIFAR: No, it was not such a big deal. It was small shipments; very small deal.

MS. WALTERS: So you figured he could handle that on his own?

MR. GHORBANIFAR: Yes, he could. He's a very able man. He's a top servant of his country.

MS. WALTERS: How did this whole deal blow up? What went wrong?

MR. GHORBANIFAR: I'm sorry. The President of the United States was on the right track, and you messed it

up -- the news media, you killed the deal. If you had not exploded -- today you had all the hostages free.

MS. WALTERS: Wait, wait, wait.

You're blaming the news media in the United States for everything that went wrong in Iran? It was leaked to a Lebanese paper. We didn't do that.

MR. GHORBANIFAR: Yes, it was a leak to a Lebanese paper. You didn't do that. But it was denied the next day by Mr. McFarlane, and then you exploded, and every day it was up, up, up, up.

MS. WALTERS: Did anything happen when Mr. McFarlane went into Iran that caused the situation to fall apart?

MR. GHORBANIFAR: No, because after he went to Iran, you see, after him there were two hostages freed.

MS. WALTERS: But can America have "friendly" relations with Iran? And what were the terms?

MR. GHORBANIFAR: Yes, I think the deal is not dead yet.

MS. WALTERS: No?

MR. GHORBANIFAR: And I refer you to the last statement issued by the Speaker of the House Rafsanjani, which he very clearly referred to that. And if you follow, I see great hopes of seeing your hostages released and a better relation in the future.

MS. WALTERS: If indeed Iran has no control over the hostages, how can you be certain that if we keep up our relations, the hostages will be released?

MR. GHORBANIFAR: This will be my problem.